

Message Text

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FM SECSTATE WASHDC
TO AMEMBASSY BRUSSELS

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FOR USEEC

FOL GENEVA 8773 SENT ACTION SECSTATE LONDON JUNE 9, 1978
REPEATED TO YOU QUOTE

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USMTN

PASS STR ELECTRONICALLY FOR FEKETEKUTY
ACTION AMEMBASSY LONDON

FOR AMBASSADOR BREWSTER FROM AMBASSADORS MCDONALD & WOLFF

E.O.11652:N/A
TAGS: ETRD, MTN, UK
SUBJECT: MTN ISSUES AND UK POSITION

REF: LONDON 09008

1. ON REFLECTION AND IN LIGHT INTERNAL MTN DEL REVIEW
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WITH AMBASSADOR WOLFF OF STATUS OF MTN NEGOTIATIONS ON
FRAMEWORK ISSUES, WE BELIEVE FOCUS OF HIGH-LEVEL U.S. INTER-
VENTION WITH UK ON MTN SHOULD NOT BE ON "BEST EFFORTS" B/P
COMMITMENT. WE HAVE MUCH HIGHER MTN PRIORITIES VIS-A-VIS
EC WHICH WILL REQUIRE UK SUPPORT OVER THE COMING WEEKS AND
SENIOR UK OFFICIALS MIGHT MISINTERPRET A U.S. APPROACH
LIMITED TO THIS TOPIC AS IMPLYING WE ATTACH MORE IMPORTANCE

TO IT THAN WE DO. IT MIGHT ALSO TEMPT UK TO TRY A BILATERAL TRADE-OFF WITH U.S. ON ANOTHER MTN ISSUE OF FAR GREATER SUBSTANTIVE IMPORTANCE SUCH AS SELECTIVE SAFEGUARDS WHERE UK IS PRIME MOVER WITHIN EC FOR A MORE FLEXIBLE U.S. POSITION.

2. AMBASSADORS MCDONALD AND WOLFF ACCORDINGLY RECOMMEND THAT AMBASSADOR BREWSTER USE OCCASION OF HIS APPOINTMENT WITH DELL MORNING OF JUNE 12 TO FLAG U.S. INTEREST IN A NUMBER OF KEY AREAS OF MTN WHERE WE NEED COOPERATIVE UK POSITION WITHIN EC DECISION-MAKING PROCESS OVER COMING WEEKS AS WE MOVE TOWARD JULY 15 DATE FOR AGREEMENT ON ALL ISSUES REQUIRING POLITICAL-LEVEL SETTLEMENT. THESE INCLUDE:

(A) THE NEED TO BREAK LOOSE SIGNIFICANT SPECIFIC AGRICULTURAL PRODUCT CONCESSIONS (APART FROM MULTILATERAL AGREEMENTS ON GRAINS, DAIRY AND MEAT), WITHOUT WHICH THERE CAN BE NO DEAL. (THESE INCLUDE CITRUS, TOBACCO, RICE, POULTRY, ETC.)

(B) THE NEED FOR EC RESTRAINT--BOTH IN TERMS OF TIMING AND SUBSTANCE--IN TRIGGERING WITHDRAWALS OF EC INDUSTRIAL TARIFF OFFERS.

(C) THE NEED TO FLESH OUT QUICKLY THE DRAFT UNDERSTANDING ON SUBSIDIES/COUNTERVAILING DUTIES BEING DEVELOPED FOR LIMITED OFFICIAL USE

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ED BETWEEN THE U.S. AND EC, AND MAKE SURE THAT SOME GENERAL SUBSIDY DISCIPLINES APPLY TO AGRICULTURE.

(D) THE NEED FOR A MORE FORTHCOMING EC POSITION ON THE COVERAGE OF PURCHASING ENTITIES UNDER THE DRAFT CODE ON GOVERNMENT PROCUREMENT.

(E) UK ASSISTANCE WITHIN EC IN FAVOR OF NEGOTIATING WITH U.S. ON EC RULES OF ORIGIN, OUR MAIN NTM COMPLAINT AGAINST EC.

(F) SAFEGUARDS--UK/EC RECOGNITION THAT SELECTIVITY MUST BE SUBJECT TO CAREFUL CONTROLS TO INDUCE REST OF WORLD (NOT JUST U.S.) TO GO ALONG.

(G) FRAMEWORK ISSUES--IMPORTANCE OF RETAINING THE PACKAGE APPROACH U.S. AND EC HAVE BEEN TRYING TO ACHIEVE FOR SEVERAL YEARS. IF KEY DC'S AND LDC'S START PICKING AND CHOOSING TOPICS EACH GENUINELY WANTS (AS OPPOSED TO THINGS THEY CAN LIVE WITH), WE WILL EITHER END UP WITH NOTHING IN THIS AREA OR WORSE, NAMELY LDC POLITICAL PRESSURE FOR ACCEPTANCE OF "THEIR" FAVORITE SUB-ITEM--

SOME KIND OF SWEEPING ENABLING CLAUSE. IN THIS CONTEXT, PROPOSED "BEST EFFORTS" PLEDGE TO AVOID TRADE MEASURES FOR B/P REASONS WOULD BE DESIRABLE, PARTICULARLY BECAUSE TO DROP IT RUNS RISK OF LDC'S INSISTING ON DROPPING A SUB-ITEM THEY DON'T LIKE (CLARIFICATION OF GATT RULES ON ACCESS TO SUPPLIES).

3. FYI: INF/19 IS 5-PAGE "DRAFT UNDERSTANDING REGARDING SAFEGUARD ACTIONS FOR BALANCE-OF-PAYMENTS PURPOSES" LAYING DOWN PROCEDURAL AND SUBSTANTIVE GUIDELINES WHICH INTERPRET (BUT DO NOT ADD LEGAL OBLIGATIONS TO) EXISTING GATT PROVISIONS AND SOME EARLIER GATT PROCEDURAL DECISIONS ON USE OF TRADE MEASURES FOR B/P PURPOSES. IT CONSISTS OF 5 SECTIONS: (A) "USE OF TRADE MEASURES FOR B/P PURPOSES: LIMITED OFFICIAL USE

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GENERAL"; (B) "USE OF TRADE MEASURES FOR B/P PURPOSES BY DEVELOPING COUNTRIES"; (C) "GATT REVIEW OF TRADE MEASURES FOR B/P PURPOSES"; (D) "SIMPLIFIED PROCEDURES FOR GATT REVIEW OF B/P TRADE MEASURES"; (E) "RESULTS OF REVIEW AND FOLLOW-UP". SECTIONS (B) AND (D) DEALING WITH LDC'S ARE ALMOST IDENTICAL TO TEXTS FLOATED LAST WINTER BY EC COMMISSION.

B

PROBLEM PARA WHERE WE ARE TOLD UK IS MAIN RECALCITRANT IS FIRST PARA OF SECTION A: "THE CONTRACTING PARTIES RECOGNIZE THAT, AS A GENERAL MATTER, TRADE MEASURES ARE NOT A PREFERRED MEANS OF ADDRESSING BALANCE-OF-PAYMENTS PROBLEMS. ACCORDINGLY, DEVELOPED CONTRACTING PARTIES UNDERTAKE TO THE MAXIMUM EXTENT POSSIBLE TO AVOID THE IMPOSITION OF TRADE MEASURES FOR BALANCE-OF-PAYMENTS PURPOSES." NO SANCTIONS ARE CALLED FOR, HOWEVER, IF DC'S FEEL THEY HAVE NO OTHER REASONABLE ALTERNATIVES. THIS POSITION IS CONSIDERED A LOW-KEY, MINIMUM DC COMMITMENT TO BEGIN BRINGING SOME DISCIPLINE INTO LDCS' ACTIONS ON B/P, THE PRIME FOCUS OF THE DRAFT. MCDONALD UNQUOTE VANCE

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